

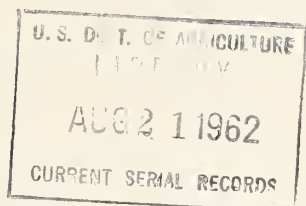
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FOREIGN AGRICULTURE CIRCULAR

U.S. DEPARTMENT OF AGRICULTURE
Foreign Agricultural Service Washington D.C.



SUGAR
FS 4-62
August 1962

NEW SUGAR LEGISLATION INCREASES

FOREIGN SOURCES OF SUPPLY

Legislation signed into law by the President July 13, 1962 extends the U. S. Sugar Act to December 31, 1966, with respect to the Philippines, and to December 31, 1964 with respect to quotas for other countries.

The new Act continues quotas to 10 countries having permanent quotas under the Act, which expired June 30, 1962. These countries are Cuba (in reserve), Peru, Dominican Republic, Mexico, Taiwan, Nicaragua, Costa Rica, Haiti, Panama and the Netherlands.

Twelve additional countries are assigned quotas. These are the countries who have benefited during the past two years from the embargo on Cuban sugar. Two other countries -- British Honduras and South Africa -- were added, and Argentina is recommended for a quota under supplementary legislation signed by the President on July 20. Of the 3.2 million tons formerly supplied by Cuba 1.7 million are allocated to these countries. Supplemental legislation added 150,000 tons, with a Presidential recommendation that 20,000 be assigned to Argentina and 130,000 be added to the established Dominican Republic quota of 189,804.

The remaining 1,484,121 tons of the former Cuban allocation will be purchased on a global basis "first come first served" at world prices, from all foreign countries which are net sugar exporters and with which the United States maintains diplomatic relations. Special consideration is given to countries in the Western Hemisphere and to those countries purchasing additional U. S. agricultural commodities.

Formerly, all sugar imports were purchased at premiums over world prices. In 1961 and 1962 these premiums were 2.33 to 3.23 cents per pound, respectively.

Under the new legislation the global allocation is to be purchased at world prices. Progressive reductions are scheduled on the premium paid on quota sugar, except on purchases from the Philippines. The Philippine premium continues at the full current rate of about 2.30 cents. On other quota countries the premium will be reduced during the next 3 years by 10 per cent the first year, 20 per cent the second, and 30 per cent the third.

The United States remains the world's largest importer of sugar, although supplies to be obtained from domestic sources is increased by the new Act from 53.5 per cent to 59.9 per cent of total consumption figured on the basis of a 9,700,000 short-ton requirement. Under the new Act the remaining 40.1 per cent is assigned to foreign countries. If consumption requirements exceed 9,700,000 short tons, domestic producers will be allowed 65 per cent of the excess, rather than 55 per cent previously calculated. Domestic producers will no longer share in the reallocation of deficits. Some increase in the foreign share of the U. S. market is made possible by a new provision for reallocating domestic deficits in Hawaii and Puerto Rico to foreign suppliers.

In connection with the global quota, the U. S. Department of Agriculture on July 16, 1962 authorized the immediate purchase of 300,000 tons, and reserved another 316,743 tons for giving special consideration to Western Hemisphere countries and countries buying U. S. agricultural commodities.

The variable import fee is added to the present sugar tariff to "recapture" for the U. S. Treasury approximately all of the so-called "quota premium" on the Cuban reserve amounting to the difference between the world market price and the domestic price.

This fee has been set by the U. S. Department of Agriculture announcement of July 16 at 2.4 cents per pound for the first 300,000 tons of imports from foreign countries as a group. The variable fee is extended to the specified quotas of individual countries subject to annual step increases of 10 per cent through 1964 when the quota premium will be reduced by 30 per cent. The first step amounts to 0.24 cent per pound for raw sugar in 1962. Only the Republic of the Philippines is exempt from a variable import fee. The Philippine quota of 1,050,000 tons represents an increase of 70,000 tons over the 980,000 tons provided by Trade Agreement.

In arriving at these provisions, the global quota recommendation of the Administration Bill was reduced by 37 per cent in order to accommodate permanent individual country quotas which were closely retained as given in the House Bill. Imports of foreign sugars for direct consumption are reduced mostly by eliminating all of the refined sugar previously received from Cuba.

Thus the Sugar Act as known over the past 28 years is now revised in concept, but the supply from foreign and domestic sources is still rigidly controlled to provide U. S. producers and consumers with stable supplies and prices, and to stimulate trade with foreign countries.

Legislative Proposals and the U. S. Sugar Act Amendments of 1962
Based on Consumption Requirements of 9,700,000 short tons annually
(All figures in short tons raw value)

	Sugar Act		Administration	House Bill 3/		Senate Bill 5/	New Act 6/
	Expired June 30, 1962			Non-Quota			
	Quota	Cuban Replacement 1/		Quota	Cuban Re- placement 4/		
Domestic Beet	2,110,627	0	2,650,000	2,650,000	0	2,650,000	2,650,000
Mainland Cane	649,459	0	895,000	895,000	0	895,000	895,000
Hawaii	1,177,936	0	1,110,000	1,110,000	0	1,110,000	1,110,000
Puerto Rico	1,231,682	0	1,140,000	1,140,000	0	1,140,000	1,140,000
Virgin Islands	16,796	0	15,000	15,000	0	15,000	15,000
Total Domestic	5,186,500	0	5,810,000	5,810,000	0	5,810,000	5,810,000
Philippines	980,000	673,132	980,000	1,050,000	150,000	980,000	1,050,000
Canada	631	1,266	631	631	0	631	631
United Kingdom	516	1,034	516	516	0	516	516
Belgium	182	2,341	182	182	0	182	182
British Guiana	84	- 1/	84	- 1/	- 1/	84	- 1/
Hong Kong	3	27	3	3	0	3	3
Reserve	0		0	0	0	10,000	10,000
Cuba	3,208,425		2,584,277	1,499,952		2,575,392	1,634,121
Peru	108,517	790,609	108,490	199,842	150,000	108,117	189,804
Dominican Rep.	96,307	653,764	96,274	199,842	150,000	95,943	189,804 8/
Mexico	80,109	948,127	79,986	199,842	150,000	79,711	189,804
Brazil	0	386,474	0	189,907	150,000	0	180,186
Brit. West Indies	0	276,437	0	99,921	150,000	0	90,235
Australia	0	90,000	0	49,961	150,000	0	39,884
Taiwan	3,802	218,206	4,072	44,851	150,000	4,058	35,075
Fr. West Indies	0	80,000	0	40,025	0	0	29,984
Colombia	0	76,000	0	34,916	0	0	29,984
Nicaragua	15,749	68,023	15,707	30,090	0	15,653	24,892
Costa Rica	3,792	34,445	4,072	30,090	0	4,058	24,892
Ecuador	0	35,989	0	30,090	0	0	24,892
India	0	275,000	0	30,090	100,000	0	20,084
Haiti	7,641	38,393	7,562	24,981	0	7,536	20,084
Guatemala	0	22,000	0	19,871	0	0	20,084
South Africa	0		0	19,871	100,000	0	20,084
Argentina	0		0	19,871	0	0	0 9/
Panama	3,802	9,178	4,072	15,045	0	4,058	14,992
El Salvador	0	17,000	0	9,935	0	0	10,183
Paraguay	0	5,000	0	9,935	0	0	9,900
British Honduras	0	0	0	9,935	0	0	9,900
Fiji Islands	0	5,000	0	9,935	0	0	9,900
Netherlands	3,940	8,951	4,072	9,935	0	4,058	9,900
Mauritius	0	0	0	9,935	100,000	0	0
Ireland	0	5,000	0	0		0	0
Total Foreign	4,513,500	4,721,396	3,890,000	3,890,000	1,500,000	3,890,000	3,890,000
TOTAL	9,700,000		9,700,000	9,700,000		9,700,000	9,700,000
Percent of Total							
Domestic	53.5		59.9	59.9		59.9	59.9
Foreign	46.5		40.1	40.1		40.1	40.1
Percent of Growth							
Domestic	55		63	63		65	65
Foreign	45		37	37		35	35
Foreign Direct-Consumption Limit							
Cuba	375,000		250,000	0		250,000	0
Philippines	59,920		59,920	59,920		59,920	59,920
Full Duty	71,808		64,842	9,031		74,842	19,031
Total	506,728		374,762	68,951		384,762	78,951

1/ Authorized for purchase in 1961 and first half of 1962 through June 30, 1962.

2/ Administration bill introduced as H. R. 11730 and S. 3290 May 14.

3/ H. R. 12154 passed House June 19 by vote of 319 to 72.

4/ Figures rounded to conform with House Report No. 1829 of 87th Congress, Second Session.

5/ H. R. 12154, as amended, passed Senate June 27 by vote of 76 to 2.

6/ Passed House June 30 by vote of 248 to 31; passed Senate July 2 by vote of 54 to 12; signed by the President July 13, 1962.

7/ British Guiana included in British West Indies.

8/ Another 130,000 tons recommended as a deduction from Cuban reserve by H. R. 8050 (P.L. 87-539).

9/ 20,000 tons recommended as a deduction from Cuban reserve by H. R. 8050 (P.L. 87-535).



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